Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: AXIOM OBLIGATAIRE

Legal entity identifier: 549300JXQ1ZOFIOEMP20

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

☐ **Yes**	☒ **No**
☐ It will make a minimum of **sustainable investments with an environmental objective:** ___%	☒ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of _20_% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It will make a minimum of **sustainable investments with a social objective:** ___%	☐ It promotes E/S characteristics, but **will not make any sustainable investments**

What environmental and/or social characteristics are promoted by this financial product?

The Compartment invests mainly in financial institutions, the choice of data for the promotion of Environmental and Social characteristics is therefore highly influenced by the most characteristics for the sector:

Environmental:

- Financial institutions: factors relating to both the direct and indirect impact of their activities on the environment are considered. Among the direct ones, the ESG scores include the assessment of their operational eco-efficiency including GHG emissions, energy use and water use and disposal. The assessment of indirect activities is as well included in the ESG scores notably looking at the climate strategy of lending portfolios as well as risk assessment. This information is complemented by an internal methodology called the Axiom Climate Readiness Score provides a much more robust assessment of banks' climate performance (see box below).

The rationale for this additional analysis is driven by Axiom's conviction that the European banking sector plays has a key role in the achievement of the Paris Agreement as it finances more than 70% of the EU economy. The energy transition will therefore not happen without banks' action. There is therefore a need to use more robust methodologies that help to understand how banks are steering their portfolios to finance the sector and activities needed for the energy transition to happen.

- Non-financial institutions: The ESG scores include factors that are common to all sectors as well as sector specific. Indicators on operational eco-efficiency, climate strategy, environmental policy and management systems and reporting are assessed for all companies. Depending on the materiality for the sector, other areas are assessed, including biodiversity and water related risks. Likewise, there are general and sector specific indicators used to assess all these areas. For example in the case of operational eco-efficiency, GHG emissions and waste disposal are assessed for all sectors, and complemented with energy and water indicators relevant for the sector (e.g. use or consumption). Sector specific indicators include, among others, data center efficiency and renewable energy share for companies in telecommunication services, and emissions of acidifying substances in the oil & gas and chemical sectors.

Social:

- Financial institutions: The ESG scores include indicators related to banks' practices in terms of human capital development, talent attraction and retention, financial inclusion, labor practices, human rights and Occupational Health & Safety. In addition, the controversies database is used to analyze banks' good behavior in their selling practices as it monitors banks' exposure to litigation cases and settlements resulting from poor consumer protection practices.
- Non-financial institutions: The ESG scores include factors that are common to all sectors as well as sector specific. Indicators on human capital development, occupational health & safety, talent attraction & retention, corporate citizenship & philanthropy, human rights, labor practice and reporting are assessed for all companies. Depending on the materiality for the sector, other areas are assessed, including stakeholder engagement and social impact on communities.

There is no reference benchmark designated for the environmental and social characteristics promoted by the Compartment.

Axiom's Climate Readiness Score

The Axiom Climate Readiness Score (ACRS) uses both quantitative and qualitative analysis to assess financial institutions' climate performance based on three pillars:

1. Corporate engagement. This pillar seeks to identify the level of priority given to climate change by a company by looking at its governance (e.g., involvement of the board and top management on the decision-making), its climate strategy and related targets, and its disclosure on the activities and means deployed to better integrate climate change.

2. Climate risk and opportunities management. This pillar assesses the issuers' processes and tools used to identify, measure and mitigate their exposure to climate related risks as well as their approach to seize the opportunities arising from the energy transition. In addition, a methodology is applied to assess the exposure to physical and transition risks of banks' corporate lending portfolios based on company level syndicated loan data.

3. Contribution to the low-carbon transition. This pillar seeks to understand the contribution the issuer may have to the energy transition through their investments or lending activities with corporates, as well as through thematic products. A methodology is applied to assess the compatibility of their corporate lending portfolio temperature (Implied Temperature Rise) with the well below 2°C temperature objective of the Paris Agreement.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

The following sustainability indicators are used by the Compartment to measure the attainment of each of sustainability characteristics it promotes:

- ESG Score: Score from 0 to 100%, the higher the score the better the ESG performance of the Compartment
- Axiom Climate Readiness Score (ACRS). Score from 0 to 100%, the higher the score the better the climate performance of the Compartment. The indicator is used to define sustainable investments.

What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?

The Compartment supports the climate mitigation objective, it defines sustainable investments through the use of the Axiom Climate Readiness Score (ACRS), which is a proprietary methodology that scores the climate performance of insurers and banks. Performance is defined by both: i. the integration of climate related risks in the insurers and banks processes and products; ii. the support to climate mitigation through their investment and lending portfolios and products. Actions on the latter are measured quantitatively for banks and qualitatively for insurers. In the case of banks an Implied Temperature Rate is calculated based on syndicated loan data, in the case of insurers their own disclosure is used or third-party data. By looking at this information over time the Management Company can understand if investees are steering their portfolios to support the Paris Agreement goals. Minimum performance thresholds are defined to be able to qualify a financial institution as a sustainable investment.

Sovereign bonds investments are defined as sustainable through the use of the Climate Action Tracker assessments [8]. Investments in countries whose Net Zero target comprehensiveness is qualified as acceptable are considered sustainable investments.

How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?

How have the indicators for adverse impacts on sustainability factors been taken into account?

To ensure that the sustainable investments of the Compartment do not cause significant harm to the environmental objective of the Compartment as well as to social objectives, the Management Company monitors the Principal Adverse Impacts of table 1 of annex I of the RTS, and when relevant, equivalent indicators. Issuers identified as "negative – outlier" in the portfolio are compared against its peers. The worst performing issuers identified are discussed at the Management Company's ESG Committee which decides on the appropriate action. Three main actions can result from the discussions:

i. engagement: the issuer is identified as a candidate for an engagement case or in the case there is ongoing engagement with the issuer, the specific issue

[8] For more information on the methodology: https://climateactiontracker.org/countries/

associated with the PAI is included;

ii. exclusion: the issuer is included in the Compartment's specific exclusion list; or

iii. no action, when the issuer's PAI is judged not to reflect the actual ongoing performance of the company. The issuer will continue to be monitored up until improvement of its PAI indicator.

Furthermore, certain PAI's are an input into the Management Company's internal climate methodology, the ACRS, which is an essential part of the investment process of this this Compartment.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

The alignment of sustainable investments with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights comes along the process of qualifying an issuer as sustainable investment. First, the Good Governance test (see below) includes indicators related to human rights, employee relations, and bribery and corruption. Second, the ACRS includes indicators the environmental impacts of issuers. Finally, PAI 10 and 11 monitor compliance with the OECD Guidelines for Multinational Enterprises.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

Does this financial product consider principal adverse impacts on sustainability factors?

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

☒ Yes

☐ No

The Principal Adverse Impacts (PAIs) considered by the Compartment consist of indicators that are relevant for both financial sector and corporates, although the exposure to the latter can limited.

The environmental indicators most relevant for the financial sector mainly relate to GHG emissions indicators as well as their targets to reduce them over time. While financial institutions have a relatively low direct impact to the environment compared to other sectors, its indirect impact through lending and investing is very high. For the moment, the only environmental PAIs that cover indirect activities (scope 3 downstream) are the GHG related ones. This is however a backward looking indicator. To monitor financial institutions' lack of commitment towards decarbonization, the Compartment uses another indicator which provides more of a forward looking view. The indicator looks the share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement. Those indicators are as well monitored for corporates.

Other Environmental PAIs that are less relevant for the Compartment but still monitored are: the exposure to companies active in the fossil fuel sector, the share of non-renewable energy consumption and production, the energy consumption intensity per high impact climate sector, activities negatively affecting biodiversity sensitive areas, emissions to water and hazardous waste ratio.

In terms of the social PAIs, there are three mandatory that are monitored: i. average unadjusted gender pay gap; ii. average ratio of female to male board members.; and iii. lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises. The PAIs relating to the monitoring of violations of the UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises and the Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons) are not monitoring because they are addressed through the Management Company's exclusion policy.

In addition, the Compartment monitors the share of companies without anti-corruption and anti-bribery policies.

Relevant information on principal adverse impacts on sustainability factors will be disclosed in due course in the Company's annual report.

What investment strategy does this financial product follow?

The objective of this Compartment is to achieve, over a minimum 3-year investment horizon, a return (net of management fees) similar to or greater than that of its benchmarks (ICE BofAML Euro Financial Index (40%), ICE BofAML Euro Corporate Index (40%) and ICE BofAML Contingent Capital Index (20%). The Compartment considers companies Environmental, Social and Governance (ESG) and climate performance.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The Compartment uses the following binding elements to select the investments to attain the environmental and social characteristics it promotes:

Exclusion filters: They are used to exclude companies involved in forbidden activities, which are covered through the Management Company thematic and sectoral policies and related exclusion list. Activities include, tobacco production, coal power and mining production, conventional and unconventional oil & gas, alcohol, gambling, cannabis and adult entertainment. The Compartment follows Level 2 exclusion policies.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

There is no commitment to reduce the scope of investments by a minimum rate prior to the application of the investment strategy.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- ***What is the policy to assess good governance practices of the investee companies?***

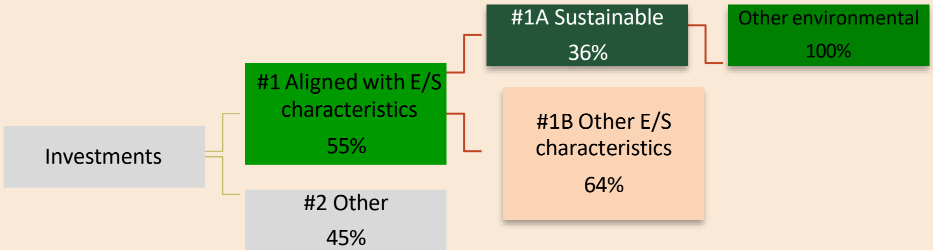
The Management Company sources different data points to qualify the Governance of investee companies. Three types of information are analyzed: 1. Banks' pillar 2 capital requirements; 2. Good Governance test result sourced from a data provider; 3. Sub-criteria scores related to companies' management structures, employee relations, remuneration of staff and tax compliance taken from the Management Company's data providers' ESG scores. Minimum performance thresholds are defined for each of the three data types. If a company does not meet any threshold or no information is available, the Management Company sends a questionnaire. Companies that fail to respond the questionnaire or which provide answers that are unsatisfactory, as per the Management Company's ESG Committee's assessment, are excluded from the Compartment's investments.

What is the asset allocation planned for this financial product?

At least 55% of the Compartment's investment (excluding non single-name, cash and cash equivalents) are used to attain the environmental and social characteristics promoted by the Compartment of which 36% are sustainable investments. The remaining 45% of investment is in companies or instruments for which ESG ratings are not available or for which all the environmental and social indicators cannot be assessed due to lack of data. Minimum environmental and social safeguards are however covered through the application of the sectoral and thematic policies.

Asset allocation describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.

- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The planed asset allocation is monitored on a daily basis, and evaluated on a yearly basis.

How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

The use of single-name derivatives is not part of the core strategy of the Compartment, but it is possible to invest in them. When it is the case, the climate/ESG indicators of the underlying company are used to compute the Compartment's sustainability indicators as well as their coverage rate. The net long exposure of the derivatives is taken into account and it is floored to zero.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

0% of the Compartment’s investments are taxonomy-aligned. The Management Company reevaluates the taxonomy alignment commitments on a yearly basis based on issuers’ data availability and the Compartment's commitments.

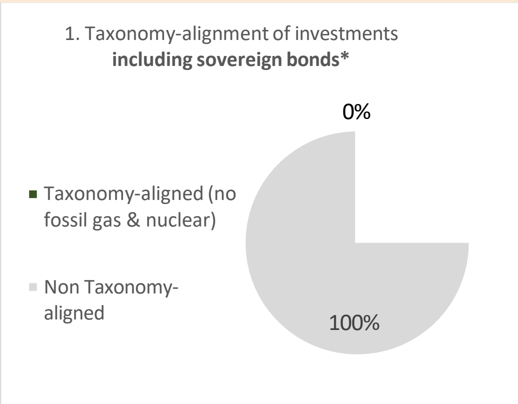
- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[9]?**

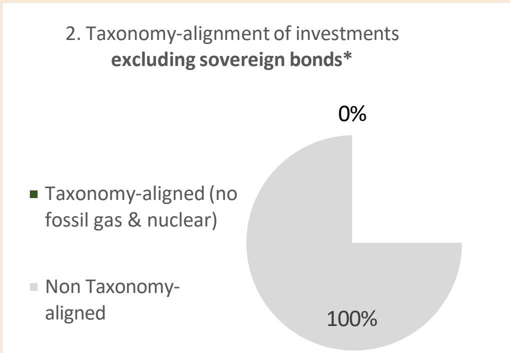
☐ Yes:

☐ In fossil gas ☐ In nuclear energy

☒ No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.





This graph represents 100% of the total investments.

** For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures*

- ***What is the minimum share of investments in transitional and enabling activities?***

0%.

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

20%, out of which 100% are sustainable investments with an environmental objective which

[9] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

are not aligned with the EU Taxonomy. Financial institutions are necessary for the implementation of an energy transition in Europe, especially European banks as they finance about 70% of the economy. They are therefore key in channeling resources into products that finance green activities and that incentivize companies to shift to lower carbon intensive processes.

What is the minimum share of socially sustainable investments?

0%.

What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?

Investments included under "#2 Other" are in companies or instruments for which ESG ratings are not available or for which all the environmental and social indicators cannot be assessed due to lack of data. The Compartment invests in high yield issuers, issuers for which ESG data is poorly available. Minimum environmental and social safeguards are however cover through the application of the sectoral and thematic policies.

Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

No ESG reference benchmark is used, the benchmarks (ICE BofAML Euro Financial Index (40%), ICE BofAML Euro Corporate Index (40%) and ICE BofAML Contingent Capital Index (20%)) are not indices which integrate environmental and social considerations.

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

  Not applicable.

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

  Not applicable.

- ***How does the designated index differ from a relevant broad market index?***

  Not applicable.

- ***Where can the methodology used for the calculation of the designated index be found?***

  Not applicable.

Where can I find more product specific information online?

More product-specific information can be found on the website:
https://www.axiom-ai.com/en/our-funds/detail/LU1876461465